

RAJYA SABHA
UNSTARRED QUESTION NO. 2309
TO BE ANSWERED ON 21ST MARCH, 2023

Audit of Expenditure of Private Companies in PPP Projects by CAG

2309. DR. KANIMOZHI NVN SOMU:

Will the Minister of Finance be pleased to state:

- (a) whether Government has proposed to get an audit conducted by the Comptroller and Auditor General of India of the expenditure of private companies in Public Private Partnership (PPP) projects;
- (b) If so, the details thereof along with the present status of such proposals and if not, the reasons therefor;
- (c) whether Government has any mechanism to check the genuineness of the cost escalation reported by the companies under PPP projects; and
- (d) if so, the details thereof and if not, the reasons therefor along with the corrective measures taken or planned by Government?

ANSWER

THE MINISTER OF STATE IN MINISTRY OF FINANCE
(SHRI PANKAJ CHAUDHARY)

(a) to (d): The Comptroller & Auditor General's (Duties, Powers & Conditions of Service) Act, 1971 provides for audit of all expenditures from the Consolidated Fund of India; transactions of the Union and the States relating to Contingency Funds and Public Accounts; as well as trading, manufacture, profit and loss accounts and balance sheets of any Department of the Union or of a State. The Joint Ventures (JVs) incorporated under Companies Act, 1956/2013, in which government/a government company in combination with other Companies/Corporations holds less than 51 per cent of the paid up capital of the concerned JV company or subsidiaries of PSU, incorporated outside India are not subject to audit by C&AG within the framework of C&AGs (DPC) Act, 1971 or the Companies Act, 1956/2013. The PPP projects, through audit of Contracting Authority are audited by the Comptroller & Auditor General (C&AG). The C&AG can audit the process of selection of the private partners by the Public Authority, the agreements entered for PPP projects and implementation thereof. Award of PPP projects by Government, expenditure by Government for PPP projects and monitoring of projects by Government are subject to Government Audit. However, the Special Purpose Vehicles formed by the private parties for execution of PPP projects are not subjected to Government Audit. The audit of SPVs is conducted by Statutory Auditors as per Income Tax Act/Companies Act and they are appointed in consultation with the Sponsoring/Implementing Authorities. The genuineness of the cost escalation of PPP projects are usually undertaken by the Independent Engineer appointed by the SPV in consultation with the Sponsoring Authority. Further in PPP projects, cost escalation if any, is borne by the Concessionaire/private entity of the project.
